

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

CELSIS IN VITRO, INC.,	)	No. 10 C 4053
	)	
Plaintiff,	)	Chicago, Illinois
	)	September 8, 2010
-vs-	)	10:00 o'clock a.m.
	)	
CELLZDIRECT, INC., et al.,	)	
	)	
Defendants.	)	

TRANSCRIPT OF PROCEEDINGS - STATUS  
BEFORE THE HONORABLE MILTON I. SHADUR

APPEARANCES:

For the Plaintiff:	LOEB & LOEB, LLP 321 North Clark Street Suite 2300 Chicago, Illinois 60606 BY: MR. JORDAN S. SIGALE MR. ADAM G. KELLY
For the Defendants:	HILLIS CLARK MARTIN & PETERSON, P.S. 1221 Second Avenue Suite 500 Seattle, Washington 98101 BY: MR. MICHAEL R. SCOTT and LIFE TECHNOLOGIES CORPORATION 5791 Van Allen Way Carlsbad, California 92008 BY: MR. RIP FINST

Court Reporter:	ROSEMARY SCARPELLI 219 South Dearborn Street Room 1412 Chicago, Illinois 60604 (312) 435-5815
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1 THE COURT: This is 10 C 4053, Celsis In Vitro  
2 versus CellzDirect.

3 THE COURT: Counsel on the phone, please identify  
4 yourself for the record, please. And then counsel here in  
5 court will do the same.

6 MR. SCOTT: Good morning, your Honor Judge Shadur,  
7 this is Mike Scott in Seattle for defendants.

8 MR. SIGALE: Good morning, your Honor, Jordan  
9 Sigale and Adam Kelly for the plaintiff Celsis In Vitro.

10 MR. FINST: And Rip Finst and Scott Miller for the  
11 defendants also, your Honor.

12 THE COURT: Good morning. I was just delivered and  
13 I gather that the plaintiff's counsel also just received  
14 under seal a second supplemental declaration by Mr. Hunkeler  
15 in which he seeks to quantify the potential loss to the -- to  
16 defendant that would serve as a measure for the bond in  
17 connection with the issuance of preliminary injunction.

18 Now, you may well regard this as a demonstration of  
19 my ignorance, despite all of your efforts to educate me in  
20 this field, but what -- what I am -- what struck me  
21 particularly by the analysis here at first look was that it  
22 talks about what would be involved in preventing LTC, Life  
23 Technological -- Technologies Corporation, rather, from  
24 selling pooled cryopreserved human hepatocytes. Now, the  
25 things that I mentioned yesterday, the idea of mitigation of

1 damages that I thought had put the parties at least on alert  
2 as to what struck me as the -- as a component that had to be  
3 kept in mind in terms of defining this potential loss  
4 because the thing that is sought to be enjoined here is the  
5 use of a method, not the production of a product.

6 And I thought that what that meant was that one of  
7 the elements that had to be considered in that respect was  
8 what would it cost LTC or CellzDirect to convert to the  
9 potential for a method that would not be an infringing method  
10 and would result in the production or could result in the  
11 production of a product, so that basically the marketing is  
12 they are not knocked out of the market entirely.

13 Let me just ask as a preliminary, did I not make  
14 that clear yesterday as I had hoped to? I suppose I -- let  
15 me first ask plaintiffs who have a different stake, was that  
16 not your understanding of what I was talking about in part?

17 MR. SIGALE: That was my understanding, your Honor.  
18 And in part I am disappointed by this declaration of  
19 Mr. Hunkeler for a number of reasons.

20 THE COURT: Well, I am not asking you to go into  
21 the whole thing.

22 MR. SIGALE: Well --

23 THE COURT: That is one important component, but it  
24 ignores entirely the prospect that somebody in the  
25 competitive position, as they are, and wanting to hit the

1 market and be competitive in terms of customers who are  
2 interested in a product, the customers are not that  
3 interested in the method because they get the result of the  
4 use of the method, they don't get the method itself. And as  
5 a result, the customers -- and that is what we are talking  
6 about here, the customers are interested in getting the  
7 cryopreserved human hepatocytes. And I -- and to ignore  
8 that, which is what Mr. Hunkeler's approach has done here,  
9 seems to me to miss a very significant part.

10           You know, what we are talking about -- I used the  
11 term, I think, "engineering around" yesterday. That may be  
12 inartful when we are talking about this kind of process. But  
13 everybody knows what I mean when I -- when I say that, that  
14 is, it is a matter of reflecting the kind of ingenuity that  
15 is needed in order to say, well, okay, we have got this  
16 patent and now the patent is our enemy and we want to get  
17 around the patent in a legitimate way, and the way to do it  
18 in a legitimate way is to pursue a different method that can  
19 produce a product.

20           So you tell me about that.

21           MR. FINST: Yeah, yesterday -- your Honor, may I  
22 respond to that. When we tried to meet and confer with the  
23 plaintiffs yesterday about the scope of the order, it became  
24 very clear to us that the plaintiffs have a much different  
25 view about Claim 10 than I think your Honor and the

1 defendants have. Claim 10, as your Honor recalls, is the  
2 method for using hepatocytes in in vitro metabolism assay.

3 And --

4 THE COURT: Wait just a minute.

5 MR. FINST: Yes, your Honor.

6 THE COURT: And in saying that, you are taking full  
7 account of two wherein limitations in Claim 10, that is when  
8 you say they have a different and broader perspective than  
9 you people have --

10 MR. FINST: Yes, your Honor, but more particularly  
11 the defendants have a view that the hepatocytes that are used  
12 in Claim 10 can be made by a process that does not require a  
13 density gradient step between the first thaw and the second  
14 freeze. Your Honor can probably contrast that with Claim 1  
15 which explicitly requires a density gradient fractionation  
16 between the first thaw and the second freeze. And your Honor  
17 has asked us, at least yesterday had suggested, that there  
18 was the ability to mitigate damages by designing around the  
19 process that is claimed -- the process that is claimed in  
20 Claim 10 is fundamentally different than Claim 1.

21 And the defendants during yesterday's meet and  
22 consider and in the proposed order that we received are  
23 seeking an injunction against the sale of multi-cryopreserved  
24 hepatocyte products, regardless of the method by which they  
25 are manufactured. So there is effectively no ability to

1 mitigate damages if the proposed order, as drafted by the  
2 plaintiffs, is entered, which would effectively foreclose the  
3 selling for sale of all hepatocyte products.

4 THE COURT: Let me say something simplistic, okay?  
5 Suppose that the -- that your people engage in plating  
6 between the first and second cryopreservations. Does that in  
7 -- you know, I am not going to -- I am not ultimately reading  
8 these -- reading these patents in terms of validity, scope --  
9 maybe I have missed what happened at the -- at the Examiner's  
10 stage when they had to insert the two wherein clauses. Maybe  
11 I would ask plaintiff's counsel about that.

12 MR. SIGALE: Your Honor, it does ignore the two  
13 wherein clauses, and I -- I think that Mr. Finst is  
14 misrepresenting what we are talking about here. Claim 10  
15 talks about investigating metabolism using  
16 multi-cryopreserved hepatocytes wherein the -- there is a  
17 viability of greater than 70 percent and there is no density  
18 gradient step required after thawing to achieve that  
19 70 percent viability and there is no plating between the  
20 first and second cryopreservations. Where you got that, you  
21 know the guidepost you need to have to design around.

22 And the proof at trial was that the process that  
23 LTC and APS are using to produced their multi-cryopreserved  
24 hepatocytes results in this very type of preparation. In  
25 part --

1 THE COURT: That is what I understood. And so --  
2 and that comes back to the point that I am making. I don't  
3 understand why the point that I have made doesn't apply as  
4 contrasted with what Mr. Hunkeler has done, which is to say,  
5 well, if we are prevented from doing it this way, that is, in  
6 -- and essentially aping the Celsis thing, then here is what  
7 our projected losses are: But it ignores what I thought was  
8 a viable -- again a bad pun, of course -- alternative for  
9 that, and that is to devise a way in which you could generate  
10 essentially the product that would be a competitive product  
11 or a product that could be readily marketed without stubbing  
12 your toes up against the -- the patent as such.

13 Again, I -- maybe I have been unduly simplistic on  
14 that, but I thought that that is -- that that was -- I  
15 thought from the beginning that that is something that they  
16 have been essentially compelled to point the way in order to  
17 get their patent allow -- their claims allowed. And they  
18 pointed a way. And -- and what Mr. Hunkeler's declaration  
19 does is to ignore that, I think, because I -- I don't -- I  
20 hesitate to make analogies because analogies are often  
21 treacherous.

22 But, you know, if there is another route that can  
23 be taken to the same destination and the -- then a  
24 demonstration of what it costs to pursue that route would be  
25 a reasonable measure, perhaps, of -- of the kind of losses

1 that are involved because they wouldn't have to pursue the  
2 other route if the patent were invalid. But they would have  
3 to pursue the route if you have the patent valid.

4 And that is what we are looking at. That is what  
5 we talk about when we talk about harms. The harm that is  
6 created, if I grant the preliminary injunction wrongfully, is  
7 that they have been compelled to undergo whatever is -- it  
8 takes in order to -- again using the term -- engineer  
9 around. And that is ignored totally in his declaration. You  
10 can't -- you can't just pony up and say, if we are restrained  
11 in all respects, and here is where our projected losses are  
12 because that is not a fair measure. That is why I referred  
13 to it essentially as the equivalent in -- in the most -- more  
14 conventional cases of mitigating your damages. That is what  
15 mitigation is. Mitigation consists of what you do in order  
16 to spare yourself the larger losses that would be sustained.

17 And he is silent about that. I can't -- you know,  
18 if he hasn't even approached it, how can I credit this?

19 MR. FINST: So two responses, your Honor. The  
20 first is I think Mr. Hunkeler's declaration certainly  
21 highlights that there is going to be a significant economical  
22 loss to the company, even during the course of a potential  
23 redesign, as your Honor suggested the company engage.

24 THE COURT: Yeah, but he hasn't talked about that.  
25 He hasn't quantified that. He is really just saying, here is



1 -- you know, here is the big ballpark and -- and use that as  
2 the measure. And he hasn't really addressed what I think of  
3 of as a major, if not the major, issue in terms of what the  
4 potential loss is, the potential harm to the party enjoined,  
5 if it turns out that the injunction is wrongfully issued. So  
6 I can't -- I can't accept this as the vehicle for defining  
7 what the bond should be.

8 It seems to me that -- that what I suggested  
9 earlier may well be the appropriate approach, that is, fix  
10 the bond at a -- at -- at an amount that is maybe reasonably  
11 justified at this point and if, therefore, you -- you define  
12 the thing more precisely because you attack the thing the  
13 right way, maybe then you can come in -- I haven't -- frankly  
14 haven't looked at whether it is possible essentially to  
15 enlarge the bond if there is -- but I would think that it is  
16 likely that that can be done.

17 But certainly this isn't the route that -- that  
18 provides me with the input that is needed for purposes of  
19 granting preliminary injunctive relief now and imposing the  
20 -- anything even remotely close to the figures that he has  
21 talked about. If it is correct that preliminary injunctive  
22 relief is appropriate, then the idea of saying, well, hold  
23 off until he is -- until you are able to develop the numbers  
24 is really not fair. It just isn't fair.

25 And what I am suggesting is something that I think

1 would be fair, and that is to provide the preliminary  
2 injunctive relief now. And if then your people are capable  
3 of coming up with a sharpened pencil, or whatever the  
4 computer equivalent of sharpening a pencil is, at a later  
5 point, then take a fresh look at the amount of the bond.

6 Yes?

7 MR. SIGALE: Your Honor, when we haven't seen  
8 evidence yesterday -- and we did request it following court  
9 -- with respect to how we could determine a bond, we did  
10 research this morning that verifies your Honor's assumption  
11 -- or educated guess that you can modify the bond after the  
12 entry of the injunction based on additional evidence. And we  
13 are prepared to deal with that.

14 THE COURT: Sure.

15 MR. SIGALE: I would point out to the Court that we  
16 have already lodged \$70,000.00 in cash with the Clerk.

17 THE COURT: I know that.

18 MR. SIGALE: I would also point out that during the  
19 hearing the only evidence we have about the amount of time it  
20 took to develop the methodology --

21 THE COURT: Was a day.

22 MR. SIGALE: -- was a day.

23 THE COURT: So maybe Dr. Li can -- maybe Dr. Li can  
24 pull the proverbial rabbits hepatocyte out of the hat.

25 MR. SIGALE: Perhaps he could.

1           The other thing that is troubling for me, your  
2 Honor, is there is also evidence that microsomes are not  
3 infringing. We have never claimed that microsomes are  
4 infringing. And microsomes are pooled products. There is no  
5 reason why LTC couldn't re-task the hepatocytes by turning  
6 them into microsomes and recover part of its losses that way.

7           THE COURT: Well --

8           MR. SIGALE: And mostly, your Honor, this  
9 injunction is only for the United States, and Mr. Hunkeler's  
10 declaration talks about worldwide sales.

11          THE COURT: Worldwide.

12          MR. SIGALE: And I have no idea how these sales  
13 divide out at all. I have no idea what portion of the  
14 sales -- in terms of enjoining Claim 10, the practice of  
15 Claim 10 can only be enjoined in the United States. And I  
16 will confess that what we offered to defendants was imprecise  
17 in that it didn't limit the injunctive relief to use of Claim  
18 10 in the United States. So to the extent they want to sell  
19 to a foreign body that is going to practice Claim 10 outside  
20 of the United States, there is no reach of this Court --

21          THE COURT: Okay.

22          MR. SIGALE: -- in that regard.

23          THE COURT: Well, I am ready.

24          MR. FINST: Your Honor, if I can make -- if I can  
25 have just two responses.

1 THE COURT: Yeah.

2 MR. FINST: The first one is with respect to the  
3 bond. Mr. Hunkeler has a Paragraph 6 in his declaration  
4 where he identifies with specificity the cost of restarting  
5 sales and marketing in the United States if, in fact, we are  
6 able to achieve the design-around, as your Honor would  
7 characterize it. So if three months or six months from now,  
8 having been excluded from the market and having, perhaps  
9 successfully, obtained a design-around that is noninfringing,  
10 Mr. Hunkeler has some very precise numbers about what the  
11 cost would be to the company for having to re -- effectively  
12 restart and re-penetrate the market in a short period of  
13 time. So at a minimum those additional costs associated with  
14 restarting our sales and marketing program should be included  
15 in a bond amount.

16 The second point, your Honor, is with respect to  
17 mitigation. You have suggested that the claim provides some  
18 level of metes and bounds on the scope of what the redesign  
19 could look like or what direction a redesign program could go  
20 in, perhaps. Your Honor pointed out, for example, the no-  
21 plating imitation. There -- we attempted yesterday -- I  
22 attempted yesterday with Mr. Kelly to try and identify with  
23 some precision what the metes and bounds of the injunctive  
24 relief would look like with respect to particular claim  
25 terms, so that we would have in writing in black and white

1 knowing what specifically the activity is that Life  
2 Technologies could engage in with respect to a design-around.  
3 I asked Mr. Kelly specifically --

4 THE COURT: Well, you are --

5 MR. FINST: -- about a claim limitation.

6 THE COURT: You are back-dooring something that I  
7 have rejected. I am not about in this order to essentially  
8 redefine what is covered in the patent. I have -- you know,  
9 that is really -- it is not a reasonable request. It is not  
10 really the Court's function. That is not what we are looking  
11 at. I am not -- I am not in the business of telling you  
12 people how to conduct your business. What I am seeking to do  
13 is simply to design, as best can be done, on the basis  
14 currently what is a reasonable bond. And it seems to me that  
15 the approach that I have suggested is one that I think  
16 confirms that. And to the extent that plaintiffs have --  
17 they say developed authority, I would be glad to have a  
18 supplemental submission. All you got to do is cite whatever  
19 cases you think. And if defendants had other cases, they can  
20 cite them as well.

21 MR. SIGALE: With respect to reestablishing a bond  
22 based on the additional evidence --

23 THE COURT: Right.

24 MR. SIGALE: -- your Honor, we will submit a case.

25 THE COURT: Okay. So now --

1 MR. SIGALE: May -- do I need --

2 THE COURT: When do I get the order?

3 MR. SIGALE: We have got a proposed order that we  
4 provided to defendants yesterday. They rejected it for the  
5 reasons that Mr. Finst had just mentioned. And as I just  
6 told the Court, I, in looking over it this morning, found an  
7 error that we have limited Claim 10's practice to the United  
8 States. If the Court would like, I will hand up my revised  
9 copy --

10 THE COURT: Sure. Let me take a look.

11 MR. SIGALE: -- which the defendants received  
12 yesterday.

13 THE CLERK: Thank you.

14 MR. SIGALE: Minus the language that I just added  
15 which would add in here for use in the United States. Right  
16 here.

17 MR. FINST: Your Honor, one concern that I  
18 expressed to --

19 THE COURT: Wait just a minute.

20 MR. FINST: Yes, your Honor.

21 THE COURT: Let me ask a purely technical question.  
22 Is Invitrogen Corporation still the existing corporation and  
23 is that the correct name, that is, is Life Technologies a dba  
24 kind of situation or is it -- or has the corporate name been  
25 changed, or what?

1 MR. FINST: Life Technologies is the current  
2 standing live company. Life Technologies was formed by the  
3 merger a couple years ago of Invitrogen and another  
4 corporation. So Invitrogen doesn't exist as -- as sort of an  
5 extant entity, as your Honor would suggest. Life  
6 Technologies would be the --

7 THE COURT: Then it seems to me that order has to  
8 read in terms of the actual entity rather than Invitrogen.  
9 Now, I recognize that most state laws, most corporate laws,  
10 permit actions to proceed against dissolved or merged  
11 corporations and presume -- and every merger that I ever  
12 handled had a -- had a preservation of actions against the  
13 companies merged out of existence. But it seems to me that  
14 probably the way to do that is to use, on counsel's  
15 representation, Life Technologies Corporation, the survivor  
16 of the merger, that encompassed Invitrogen. That way you  
17 don't have to change the caption of the case, but you are --  
18 you are entering into an order that operates against the now  
19 existent corporation. Okay?

20 All right. Wait just a minute.

21 MR. SIGALE: Will do, your Honor.

22 THE COURT: You would alter the last paragraph by  
23 providing that the -- that this is the current amount of the  
24 bond and it is without prejudice to a potential resubmission  
25 by defendants establishing a different -- well, let's see,

1 resubmission -- make it resubmission by defendants as to the  
2 appropriate amount of the bond going forward. So you will  
3 have something that already reflects the possibility that  
4 defendants can come in at a later point with a showing. But  
5 other than that, it seems to me that this is in order.

6 MR. FINST: Okay. If I may, your Honor, address a  
7 couple of things.

8 THE COURT: Yes.

9 MR. FINST: First, in your Honor's temporary  
10 restraining order there was a carve-out with respect to sales  
11 to customers who had placed orders before July 7th, 2010.  
12 Perhaps you remember that.

13 THE COURT: Yeah.

14 MR. FINST: That the goal was to fill orders for  
15 customers --

16 THE COURT: Right.

17 MR. FINST: -- before the TRO had entered. The  
18 current order doesn't reflect a permission on one way or the  
19 other whether those sales can continue to be filled  
20 consistent with the TRO.

21 THE COURT: Did we have any kind of showing on  
22 that?

23 MR. SIGALE: No, your Honor, we agreed to that.  
24 Here is my problem, and it is a problem with Mr. Hunkeler's  
25 declaration this morning: That was two months ago. If the



1 defendants can't fill an order that was placed more than two  
2 months ago, I wonder why we need a bond at all.

3 THE COURT: Well, let it be as of that point  
4 because it is quite right that because that -- from that  
5 point forward I think you were proceeding at your risk, that  
6 is, the defendants were proceeding at their risk in the sense  
7 that they could not then harvest some other order. So it's  
8 orders that had been in place at the time we discussed the  
9 issue.

10 MR. SIGALE: Your Honor, how long is that going to  
11 continue on for? Because they have made no proof as to what  
12 orders were in place prior to July 7th. And I have real  
13 concern. Today is September 8th. I had to look at my watch  
14 and into my Blackberry to confirm it. We are talking two  
15 months now, more than two months, that these orders have been  
16 in defendants' possession and they have been unable to fill  
17 them. What does that say about a bond going forward? What  
18 kind of damages could they have if over two months they have  
19 been unable to fill orders that they have had? They have the  
20 inventory, presumably.

21 THE COURT: No, he is talking about filling the  
22 orders. He is not talking about the bond.

23 MR. SIGALE: What -- what I don't --

24 THE COURT: He is talking about filling preexisting  
25 orders, right?

1 MR. FINST: Correct, your Honor. As Mr. -- you  
2 probably recall, Mr. Hunkeler testified that there are  
3 customers that have placed orders before July 7th where the  
4 hepatocytes are provided to the customer in waves on demand.  
5 And in the TRO --

6 THE COURT: Wait just a minute. No, no, no. I  
7 heard, for example, that people customary reorder and they  
8 place orders for delivery at some indefinite time in the  
9 future. That is not what we were talking about. What I  
10 understood was that you were talking about filling orders for  
11 current delivery. Current delivery.

12 MR. FINST: For orders received before July 7.

13 THE COURT: Because, you know, otherwise -- here:  
14 It is very common -- I don't know if this is common in this  
15 area, but it is very common in business to have a  
16 requirements agreement. Requirements say, you know, and  
17 therefore the individual orders simply carry out the  
18 provisions of the requirements agreement. That gives  
19 essentially a blank check for the future, if that were to be  
20 carved out.

21 What was intended to be carved out was that -- as I  
22 understood the representation that there were orders in hand  
23 calling for current delivery. And I was saying, no, they are  
24 not -- they are free to go ahead and fill those orders that  
25 call for current delivery. So you want to put in language to

1 cover that, that is fine. But that was as to that point, not  
2 subsequent to that.

3 MR. SIGALE: And, your Honor, it was something that  
4 you asked the plaintiff to agree to, and we readily agreed to  
5 it under the circumstances of the TRO. Here we are two  
6 months later. Whatever orders haven't been filled --

7 THE COURT: Well, I don't know what their story is,  
8 but they ought to -- certainly they ought to provide you with  
9 some kind of showing about that because the understanding, to  
10 me at least, was clear what we were talking about, was if  
11 they had orders in place and they were -- they were in the  
12 process of -- of doing whatever had to be done to fill those,  
13 we were not going to prevent that from taking place. And  
14 that is the extent of it. But it relates back to that point.  
15 It did not relate to obtaining orders further than that.

16 And it also did not obtain with respect to a  
17 general filling of -- of orders of an amorphous nature, you  
18 know, one that says we are going to have so many units,  
19 whatever it is, at some point in the future. That is really  
20 not what we were talking about. We were talking about your  
21 people not being disabled -- not losing essentially viable  
22 product that you had that -- to fill current orders  
23 currently.

24 So you work out the language on that. But you also  
25 have an obligation, I think, to advise -- to give the

1 plaintiffs the information, the evidence, as to what those  
2 consist of so it is not just an open-ended undertaking.

3 MR. SIGALE: Your Honor, it seems to me that this  
4 is another potential for delay in the injunction.

5 THE COURT: No, it -- no, I am not going to delay  
6 it. I am just going to -- if -- the thing to do then is we  
7 will enter the injunction order in this form. And if it  
8 needs to be amended to provide for that, we will amend it.  
9 But I -- but it is with the understanding I am not -- I am  
10 not now backing away from what I had said, it simply hadn't  
11 been defined adequately, I think. So you will work at that.

12 MR. SIGALE: Thank you, your Honor.

13 MR. FINST: One other matter with respect to  
14 preliminary injunction order. Your temporary restraining  
15 order also allowed Life Technologies to continue to use  
16 catalogs, albeit not fill orders of hepatocytes that are  
17 listed --

18 THE COURT: So you got catalogs that are  
19 circulating, basically, is that it, that these things are  
20 included in catalogs, in outstanding catalogs? And what is  
21 your client's normal practice in terms of updating of  
22 catalogs and so on?

23 MR. FINST: I have to look into that specifically,  
24 your Honor, to know whether it is -- I don't think what we  
25 can do is recall catalogs from all of our customers.

1 THE COURT: I am not asking to reprint or recall  
2 catalogs. You can't fill the orders.

3 MR. SIGALE: Your Honor, I don't believe we are  
4 asking for them to recall catalogs. I think what we -- they  
5 are talking about catalogs that are currently in their  
6 inventory that they would like to distribute in the future  
7 that includes mult-cryopreserved hepatocyte products that are  
8 infringing. That is an offer for sale. And if it hasn't --  
9 it --

10 THE COURT: That you ought to -- you ought not to  
11 circulate anew matters that have not already been covered.  
12 And it shouldn't take much time, I would think. I don't know  
13 how you store these things or what kind of quantities they  
14 are ordered in. But it seems to me that is something that  
15 you have to adapt yourself to the order on. And that  
16 shouldn't be a big job. I think that is a printing job.

17 MR. SIGALE: What adaptation?

18 THE COURT: I am talking about the defendant.

19 MR. SIGALE: The defendant?

20 THE COURT: Yeah.

21 MR. SIGALE: Because we are not -- and I will make  
22 it clear -- and we can put it in the injunctive relief order  
23 -- they don't have to recall the catalogs that have already  
24 been distributed.

25 THE COURT: Right.

1 MR. SIGALE: But with respect to distributing  
2 further catalogs, that is problematic.

3 THE COURT: Yeah, I haven't had any showing of what  
4 it takes to -- of -- typically in situations such as this or  
5 -- or interests of intellectual property, what happens is  
6 that -- that somebody is not ordered to destroy everything,  
7 but, on the other hand, you can't just continue to circulate.  
8 And that is what I think is being talked about here. So you  
9 ought to find out -- to the extent it is a reprint job, they  
10 can readily just reprint. They just pull those pages out of  
11 a catalog.

12 MR. SIGALE: And they include that in the request  
13 for the additional bond.

14 THE COURT: So you get this to me later on?

15 MR. SIGALE: As soon as we can this morning, your  
16 Honor.

17 THE COURT: Thank you.

18 MR. SIGALE: Thank you.

19 THE COURT: Here, take this back.

20 MR. SIGALE: Thank you, your Honor.

21 (Brief pause.)

22 MR. FINST: Your Honor, if I may reopen the  
23 proceedings.

24 THE COURT: I am sorry?

25 MR. FINST: If I may -- are the proceedings still

1 open, your Honor? My co-counsel just alerted me to something  
2 I would like to address with you, if you have a couple more  
3 minutes.

4 THE COURT: Okay.

5 MR. FINST: If the proceeding is closed, we will  
6 move on.

7 THE CLERK: Counsel is not on the line anymore. I  
8 don't know if you want him on the line.

9 MR. FINST: Okay. So one of the -- I think we  
10 heard this morning Mr. Sigale said that Celsis is not looking  
11 to prevent Life Technologies from making product in the  
12 United States and exporting it for sale. The concern about  
13 the catalog issue is with respect to product that is being  
14 made that would be made in the United States and exported for  
15 overseas sale. The catalogs would also be distributed to our  
16 overseas customers.

17 THE COURT: Wait a minute. The thing that is  
18 practiced is the method. It is not the product. It is the  
19 method. And maybe I misunderstood that.

20 MR. SIGALE: I am not sure where I was unclear.  
21 Defendants have made an argument they produced product prior  
22 to the issuance of the patent on October 20th, 2009. To the  
23 extent that product exists, you guys can sell it outside the  
24 United States because it wouldn't violate Claim 10. To the  
25 extent it was made before the patent issues, Monsanto tells

1 us it doesn't infringe Claim 1. That is the point.

2 MR. FINST: Just to be clear, to the extent the  
3 product is made tomorrow in the North Carolina facility, is  
4 exported for sale overseas --

5 MR. SIGALE: It infringes Claim 1.

6 MR. FINST: Why?

7 MR. SIGALE: Because you are practicing the method  
8 of Claim 1.

9 MR. FINST: So it is, your Honor --

10 THE COURT: It is the method -- that is what I am  
11 saying, it is method and not product. I don't understand.  
12 Usually what I have are patent lawyers who are telling me,  
13 Judge, look at the method, look at the method, that is what  
14 this patent covers.

15 MR. SIGALE: There is two methods, your Honor.  
16 There is method Claim 1 and method of Claim 10.

17 THE COURT: Right.

18 MR. SIGALE: The method of multi-cryopreserved  
19 hepatocyte products that came into being on October 20th,  
20 2009. Defendants have made an argument here that if they  
21 produce something on October 19, 2009, that it won't infringe  
22 Claim 1. Under Monsanto, which is currently the prevailing  
23 law, I am forced to agree with them. I, frankly, disagree  
24 with the precedent, would like an opportunity to challenge it  
25 here, but neither here nor there.



1           With respect to product made on October 19th, if  
2   you go to sell it on October 21st, 2009, for use in doing  
3   metabolism testing, it -- the person doing the metabolism  
4   testing, if they are in the United States, infringes Claim 10  
5   of the '929 patent.

6           MR. FINST: I understand your position with  
7   respect --

8           MR. SIGALE: So you would be inducing their  
9   infringement of Claim 10.

10          MR. FINST: I understand what you are saying with  
11   respect to Claim 10. The issue -- issue with Claim 1, the  
12   parties have fundamental disagreement whether the product  
13   that Life Technologies sells, which is frozen pooled human  
14   hepatocytes product, that is made by method Claim 1 -- Claim  
15   1 by it's very nature requires the hepatocytes that are  
16   made --

17          THE COURT: Wait a minute. Are you revisiting  
18   something that I dealt with, I thought, extensively in my --  
19   in my comments? Are we arguing the thing? That is -- that  
20   is not an open issue --

21          MR. MILLER: Your Honor --

22          THE COURT: -- a noninfringement.

23          MR. MILLER: Your Honor, I think the point that we  
24   are trying to make is the multi-cryopreserved hepatocytes  
25   that are described that are the product of the method require

1 that the product be thawed. And plaintiff has argued that  
2 our sale in the United States of the frozen product would  
3 infringe Claim 10 by inducement because the user of that  
4 would thaw the cells. And our question is, if we make -- if  
5 we use the process to result in a frozen product that is --  
6 that has not been thawed twice, if we can export that because  
7 we have not practiced the complete method. That is the  
8 question that we have.

9 The claim is directed to a method of preparing a  
10 multi-cryopreserved hepatocyte preparation and that  
11 preparation is defined as being a thawed product.

12 THE COURT: That is what you started out by talking  
13 about yesterday.

14 MR. MILLER: And we do not sell a thawed product.

15 THE COURT: And I didn't buy it then.

16 MR. SIGALE: Do you want me to address it, your  
17 Honor?

18 THE COURT: Yeah, go ahead.

19 MR. SIGALE: Claim 1 says it is capable of being  
20 frozen and thawed at least two times. It doesn't say --

21 MR. MILLER: It is method of preparing -- a method  
22 of preparing a multi-cryopreserved hepatocyte. These are  
23 defined as specific as being twice frozen and twice thawed.

24 THE COURT: That is what you started out arguing  
25 yesterday. I didn't buy it then and I am not buying it now.

1 I think that I covered quite specifically the fact that what  
2 we were dealing with -- because you were arguing  
3 noninfringement on that ground, and I -- I didn't accept that  
4 notion. And you are asking that it be revisited today. On  
5 what basis is --

6 MR. MILLER: On the basis we are still trying to  
7 determine the scope of preliminary injunction, and it was our  
8 understanding that the scope should be directed to the method  
9 that is claimed.

10 THE COURT: The scope directed claims.

11 MR. MILLER: That's correct. And the claim --

12 THE COURT: That is what you are -- and you read  
13 the claims, and if you want to -- if you want to run the risk  
14 of contempt for violation of an order, that is your client's  
15 privilege. But contempt carries with it cost.

16 MR. MILLER: We --

17 THE COURT: And I don't know how to make it more  
18 plain than that.

19 MR. MILLER: We --

20 THE COURT: You have continued to reargue things  
21 that have been argued once, have been dealt with, and there  
22 comes an end. And I don't know how to make it more plain.

23 So you get me the order.

24 MR. SIGALE: Thank you, your Honor. Is Court in  
25 recess?

1 THE COURT: We are in recess.

2 MR. FINST: Thank you, your Honor.

3 MR. MILLER: Thank you.

4 (Which were all the proceedings heard.)

5 CERTIFICATE

6 I certify that the foregoing is a correct transcript  
7 from the record of proceedings in the above-entitled matter.

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9 s/Rosemary Scarpe11i/ Date: September 8, 2010

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